

CITY COUNCIL AGENDA ITEM COVER MEMO

FOR AGENDA OF COUNCIL MEETING/WORK SESSION - DATE : June 14, 2012

ACTION REQUESTED BY: Huntsville Utilities

SUBJECT MATTER : TVA Agreement

EXACT WORDING FOR AGENDA: Resolution authorizing the Mayor to execute an amendment to the Tri-Party Agreement between TVA, Huntsville and Dynetics, Inc., amending Dynetics' existing Valley Investment Initiative (VII) program agreement. (Utilities: Electric)

ORDINANCE:

RESOLUTION: X

MOTION:

(IF AMENDMENT, STATE TITLE AND NUMBER OF ORIGINAL): N/A

ITEM IS TO BE CONSIDERED FOR:

INTRODUCTION:

ACTION: X

DISCUSSION:

UNANIMOUS CONSENT REQUIRED? No

BRIEFLY STATE WHY THE ACTION IS REQUESTED; WHY IT IS RECOMMENDED OR NOT RECOMMENDED; WHAT COUNCIL ACTION WILL PROVIDE, ALLOW, OR ACCOMPLISH; ANY ASSOCIATED COST; BUDGETED (?); AND ANY OTHER INFORMATION THAT YOU THINK MIGHT BE HELPFUL. Approval of this resolution will authorize the Mayor to execute an amendment to the Tri-Party Agreement between TVA, Huntsville and Dynetics, Inc., amending Dynetics' existing Valley Investment Initiative (VII) program agreement. This program offers financial incentives to qualifying power customers who contribute to the economic development of the TVA region and complement TVA's power system resources.

MAYOR RECOMMENDS OR CONCURS? YES _____ NO _____ N/A _____

SIGNATURE: William C. Pippin, President & CEO

DATE: May 25, 2012

RESOLUTION NO. 12-_____

WHEREAS, the City of Huntsville, Alabama (hereinafter referred to as Distributor), and Tennessee Valley Authority (hereinafter referred to as TVA), have heretofore entered into Power Contract TV54501A, dated May 26, 1980, as amended (which contract is hereinafter called the Power Contract); and

WHEREAS, Dynetics, Inc. (hereinafter referred to as Company), Distributor and TVA wish to enter into an amendment with respect to Company's participation in the Valley Investment Initiative Participation Agreement (VII Agreement); and

WHEREAS, Company, Distributor and TVA wish to enter into such amendment concerning Company's repayment to Distributor a portion of the EGC Credits and delaying any further monthly bill credits under the VII Bill Credits;

WHEREAS, there is now presented to the City Council of the City of Huntsville, Alabama, a proposed tri-party letter agreement instituting the Valley Investment Initiative Participation Agreement Amendment to be effective upon the date executed by TVA, with the representation that the said agreement has been approved by the Huntsville Electric Utility Board.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Huntsville, Alabama, that it does hereby approve the aforesaid tri-party Agreement and Tommy Battle, as Mayor of the City of Huntsville, Alabama, be, and he is authorized to execute said tri-party letter Agreement for and on behalf of the City of Huntsville, Alabama, and the Clerk-Treasurer be and he is hereby authorized to attest the same and to affix thereto the seal of the City of Huntsville, Alabama, all in as many counterparts as may be necessary.

BE IT FURTHER RESOLVED by the City Council of the City of Huntsville, Alabama, that the Mayor be, and he is hereby authorized to enter into a letter agreement by and between the City of Huntsville, the Tennessee Valley Authority and Dynetics, Inc., on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, which said agreement is substantially in words and figures similar to that certain document attached hereto and identified as "Valley Investment Initiative Participation Agreement Amendment Among Dynetics, Inc., City of Huntsville, Alabama and Tennessee Valley Authority," consisting of 3 pages and the date of _____, 2012, appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

ADOPTED this the ____ day of _____, 2012.

President of the City Council of the
City of Huntsville, Alabama

APPROVED this the ____ day of _____, 2012.

Mayor of the City of Huntsville,
Alabama



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

April 16, 2012

VII Contract No. 4302, Supp. No. 1

Ms. Meridith K. Martin
Operations Manager
Dynetics, Inc.
1002 Explorer Boulevard
Huntsville, Alabama 35806

Mr. William C. Pippin
President and CEO
Huntsville Utilities
Post Office Box 2048
Huntsville, Alabama 35804-2048

VALLEY INVESTMENT INITIATIVE (VII) PARTICIPATION AGREEMENT AMENDMENT

Dear Ms. Martin and Mr. Pippin:

This letter is to confirm the understanding among Dynetics, Inc. (Company), City of Huntsville, Alabama (Distributor), and Tennessee Valley Authority (TVA) concerning (a) Company's repayment to Distributor of a portion of the billing credits (EGC Credits) it received under the Enhanced Growth Credit Participation Agreement between Company and Distributor dated July 10, 2006 (2006 Agreement), and (b) delaying any further monthly bill credits (VII Bill Credits) under the Valley Investment Initiative Participation Agreement, VII Contract No. 4302, dated February 28, 2011 (2011 Agreement), until the expiration or termination of the 2006 Agreement.

It is recognized that, in order to be eligible for VII, a company may not receive EGC billing credits under an EGC Participation Agreement for any kW amount that exceeds its average Actual Firm Demand established in the 12 months preceding the effective date of a VII Participation Agreement. Further, a company may not receive billing credits under a VII Participation Agreement until after that EGC Participation Agreement terminates.

It is further recognized that, due to a mutual mistake of the parties:

- (a) Company has received the full amount of EGC Credits provided for under the 2006 Agreement, and
- (b) Company also received nine VII Bill Credits under the 2011 Agreement for the period from April 2011 through December 2011, for a total amount of \$58,237.29.

Accordingly, the parties hereby agree that:

1. Effective February 28, 2011, the maximum kW amount eligible for EGC Credits under the 2006 Agreement is 670.0 kW.
2. Distributor shall include in Company's next power invoice following the effective date of this agreement a charge of \$454.43 for EGC Credits received in excess of the amount allowed under the VII.
3. The remaining fifty-one monthly VII Bill Credits shall be delayed until nine months after the expiration or termination of the 2006 Agreement.

This agreement shall become effective as of the date accepted and agreed to by TVA below and remains in effect until all obligations of the parties under this agreement have been fulfilled.

Ms. Martin and Mr. Pippin
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If this letter correctly reflects our understanding on this matter, please have duly authorized representatives execute and date the four duplicate originals of this letter and return them to TVA for further processing. Upon completion by TVA, fully executed duplicate originals will be returned to you for your files. Please contact Jared Mitchem at 615-232-6003 if you have questions about this amendment or VII.

Accepted and agreed to as of ____ day
of _____, 2012.

TENNESSEE VALLEY AUTHORITY

By _____
Title:

Accepted and agreed to as of ____ day
of _____, 2012.

DYNETICS, INC.

By _____
Title:

Accepted and agreed to as of ____ day
of _____, 2012.

CITY OF HUNTSVILLE, ALABAMA

By _____
Title: